

# PERAC AUDIT REPORT



## Methuen Contributory Retirement System

JAN. 1, 2003 - DEC. 31, 2005 / PERAC 2005: 12-060-15



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# PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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JOSEPH E. CONNARTON, *Executive Director*

July 10, 2007

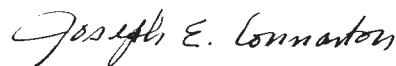
The Public Employee Retirement Administration Commission has completed an examination of the Methuen Retirement System pursuant to G.L. c. 32, s. 21. The examination covered the period from January 1, 2003 to December 31, 2005. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission. There are no significant audit findings to report.

We commend the Methuen Retirement Board for the exemplary operation of the system.

In closing, I acknowledge the work of examiners James Ryan and James Tivnan who conducted this examination and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton  
Executive Director



# Methuen Retirement System

## STATEMENT OF LEDGER ASSETS AND LIABILITIES

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2003  
AND ENDING DECEMBER 31, 2005**

<b>FOR THE PERIOD ENDING DECEMBER 31,</b>			
<b>ASSETS</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Cash	\$991,014	\$750,081	\$593,871
Short Term Investments	0	0	0
Fixed Income Securities	0	0	0
Equities	26,943,170	27,916,173	26,698,445
Pooled Short Term Funds	0	0	0
Pooled Domestic Equity Funds	8,511,717	8,155,130	7,371,421
Pooled International Equity Funds	10,020,984	9,035,395	7,132,167
Pooled Global Equity Funds	0	0	0
Pooled Domestic Fixed Income Funds	20,787,264	19,358,025	20,291,306
Pooled International Fixed Income Funds	0	0	0
Pooled Global Fixed Income Funds	0	0	0
Pooled Alternative Investment Funds	0	0	0
Pooled Real Estate Funds	5,905,508	5,112,608	4,611,367
Accounts Receivable	194,481	103,935	0
Accounts Payable	(67,207)	(61,496)	(50,196)
<b>TOTAL</b>	<b><u>\$73,286,931</u></b>	<b><u>\$70,369,852</u></b>	<b><u>\$66,648,380</u></b>
<b>FUND BALANCES</b>			
Annuity Savings Fund	\$22,880,094	\$21,065,713	\$20,562,440
Annuity Reserve Fund	7,859,194	7,931,844	6,753,666
Pension Fund	0	0	0
Military Service Fund	3,734	3,712	3,690
Expense Fund	0	0	0
Pension Reserve Fund	42,543,908	41,368,583	39,328,584
<b>TOTAL</b>	<b><u>\$73,286,931</u></b>	<b><u>\$70,369,852</u></b>	<b><u>\$66,648,380</u></b>

## Methuen Retirement System

### STATEMENT OF CHANGES IN FUND BALANCES

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2003  
AND ENDING DECEMBER 31, 2005**

	<b>Annuity Savings Fund</b>	<b>Annuity Reserve Fund</b>	<b>Pension Fund</b>	<b>Military Service Fund</b>	<b>Expense Fund</b>	<b>Pension Reserve Fund</b>	<b>Total All Funds</b>
<b>Beginning Balance (2003)</b>	18,858,670	6,670,207	2,794,916	4,247	0	28,370,316	<b>56,698,355</b>
Receipts	2,508,781	190,228	2,614,602	1,522	525,084	10,965,940	<b>16,806,158</b>
Interfund Transfers	(637,621)	637,003	10,370	(2,079)	0	(7,673)	<b>0</b>
Disbursements	<u>(167,389)</u>	<u>(743,771)</u>	<u>(5,419,888)</u>	<u>0</u>	<u>(525,084)</u>	<u>0</u>	<b><u>(6,856,133)</u></b>
<b>Ending Balance (2003)</b>	<b>20,562,440</b>	<b>6,753,666</b>	<b>0</b>	<b>3,690</b>	<b>0</b>	<b>39,328,583</b>	<b>66,648,380</b>
Receipts	2,535,171	231,071	3,473,529	22	593,745	4,916,560	<b>11,750,098</b>
Interfund Transfers	(1,817,462)	1,817,269	2,876,752	0	0	(2,876,560)	<b>0</b>
Disbursements	<u>(214,437)</u>	<u>(870,162)</u>	<u>(6,350,281)</u>	<u>0</u>	<u>(593,745)</u>	<u>0</u>	<b><u>(8,028,626)</u></b>
<b>Ending Balance (2004)</b>	<b>21,065,713</b>	<b>7,931,844</b>	<b>0</b>	<b>3,712</b>	<b>0</b>	<b>41,368,583</b>	<b>70,369,852</b>
Receipts	2,749,167	236,563	5,180,983	22	628,080	2,707,575	<b>11,502,390</b>
Interfund Transfers	(584,430)	588,428	1,528,252	0	0	(1,532,250)	<b>0</b>
Disbursements	<u>(350,356)</u>	<u>(897,641)</u>	<u>(6,709,235)</u>	<u>0</u>	<u>(628,080)</u>	<u>0</u>	<b><u>(8,585,311)</u></b>
<b>Ending Balance (2005)</b>	<b><u>22,880,094</u></b>	<b><u>7,859,194</u></b>	<b><u>0</u></b>	<b><u>3,734</u></b>	<b><u>0</u></b>	<b><u>42,543,908</u></b>	<b><u>73,286,931</u></b>

# Methuen Retirement System

## STATEMENT OF INCOME

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2003  
AND ENDING DECEMBER 31, 2005**

	<b>FOR THE PERIOD ENDING DECEMBER 31,</b>		
	<b>2005</b>	<b>2004</b>	<b>2003</b>
<b>Annuity Savings Fund:</b>			
Members Deductions	\$2,521,523	\$2,290,832	\$2,199,476
Transfers from other Systems	56,063	119,538	110,745
Member Make Up Payments and Redeposits	48,978	12,045	14,654
Investment Income Credited to Member Accounts	<u>122,603</u>	<u>112,756</u>	<u>183,906</u>
<b>Sub Total</b>	<b><u>2,749,167</u></b>	<b><u>2,535,171</u></b>	<b><u>2,508,781</u></b>
<b>Annuity Reserve Fund:</b>			
Investment Income Credited Annuity Reserve Fund	<u>236,563</u>	<u>231,071</u>	<u>190,228</u>
<b>Pension Fund:</b>			
3 (8) (c) Reimbursements from Other Systems	121,650	92,743	58,896
Received from Commonwealth for COLA and Survivor Benefits	422,256	184,965	245,194
Pension Fund Appropriation	<u>4,637,076</u>	<u>3,195,820</u>	<u>2,310,513</u>
<b>Sub Total</b>	<b><u>5,180,983</u></b>	<b><u>3,473,529</u></b>	<b><u>2,614,602</u></b>
<b>Military Service Fund:</b>			
Contribution Received from Municipality on Account of Military Service	0	0	1,495
Investment Income Credited Military Service Fund	<u>22</u>	<u>22</u>	<u>27</u>
<b>Sub Total</b>	<b><u>22</u></b>	<b><u>22</u></b>	<b><u>1,522</u></b>
<b>Expense Fund:</b>			
Expense Fund Appropriation	0	0	0
Investment Income Credited to Expense Fund	<u>628,080</u>	<u>593,745</u>	<u>525,084</u>
<b>Sub Total</b>	<b><u>628,080</u></b>	<b><u>593,745</u></b>	<b><u>525,084</u></b>
<b>Pension Reserve Fund:</b>			
Federal Grant Reimbursement	56,497	45,402	34,958
Pension Reserve Appropriation	343,373	4,393	3,138
Interest Not Refunded	1,792	2,347	3,923
Miscellaneous Income	0	18,702	0
Excess Investment Income	<u>2,305,912</u>	<u>4,845,717</u>	<u>10,923,922</u>
<b>Sub Total</b>	<b><u>2,707,575</u></b>	<b><u>4,916,560</u></b>	<b><u>10,965,940</u></b>
<b>TOTAL RECEIPTS</b>	<b><u>\$11,502,390</u></b>	<b><u>\$11,750,098</u></b>	<b><u>\$16,806,158</u></b>

# Methuen Retirement System

## STATEMENT OF DISBURSEMENTS

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2003  
AND ENDING DECEMBER 31, 2005**

<b>FOR THE PERIOD ENDING DECEMBER 31,</b>			
	<b>2005</b>	<b>2004</b>	<b>2003</b>
<b>Annuity Savings Fund:</b>			
Refunds to Members	\$214,204	\$101,894	\$157,293
Transfers to other Systems	<u>136,152</u>	<u>112,544</u>	<u>10,096</u>
<b>Sub Total</b>	<b><u>350,356</u></b>	<b><u>214,437</u></b>	<b><u>167,389</u></b>
<b>Annuity Reserve Fund:</b>			
Annuities Paid	896,937	857,893	725,961
Option B Refunds	<u>704</u>	<u>12,269</u>	<u>17,810</u>
<b>Sub Total</b>	<b><u>897,641</u></b>	<b><u>870,162</u></b>	<b><u>743,771</u></b>
<b>Pension Fund:</b>			
Pensions Paid			
Regular Pension Payments	4,642,358	4,406,171	3,497,627
Survivorship Payments	372,019	294,257	299,403
Ordinary Disability Payments	74,429	90,548	105,740
Accidental Disability Payments	1,256,848	1,210,407	1,177,915
Accidental Death Payments	231,087	227,127	223,167
Section 101 Benefits	55,658	49,545	49,311
3 (8) (c) Reimbursements to Other Systems	76,835	72,226	66,725
State Reimbursable COLA's Paid	0	0	0
Chapter 389 Beneficiary Increase Paid	<u>0</u>	<u>0</u>	<u>0</u>
<b>Sub Total</b>	<b><u>6,709,235</u></b>	<b><u>6,350,281</u></b>	<b><u>5,419,888</u></b>
<b>Military Service Fund:</b>			
Return to Municipality for Members Who Withdrew Their Funds	<u>0</u>	<u>0</u>	<u>0</u>
<b>Expense Fund:</b>			
Board Member Stipend	15,000	15,000	14,750
Salaries	98,785	89,756	87,885
Legal Expenses	22,068	0	0
Medical Expenses	0	0	0
Travel Expenses	7,315	2,934	3,304
Administrative Expenses	27,636	43,135	23,581
Fiduciary Insurance	4,907	4,946	4,046
Management Fees	402,436	381,316	349,567
Custodial Fees	8,933	7,409	13,700
Consultant Fees	<u>41,000</u>	<u>49,250</u>	<u>28,250</u>
<b>Sub Total</b>	<b><u>628,080</u></b>	<b><u>593,745</u></b>	<b><u>525,084</u></b>
<b>TOTAL DISBURSEMENTS</b>	<b><u>\$8,585,311</u></b>	<b><u>\$8,028,626</u></b>	<b><u>\$6,856,133</u></b>

# Methuen Retirement System

## INVESTMENT INCOME

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2003  
AND ENDING DECEMBER 31, 2005**

	<b>FOR THE PERIOD ENDING DECEMBER 31,</b>		
	<b>2005</b>	<b>2004</b>	<b>2003</b>
<b>Investment Income Received From:</b>			
Cash	\$24,576	\$8,244	\$6,821
Short Term Investments	0	0	0
Fixed Income	0	0	0
Equities	330,266	425,450	349,179
Pooled or Mutual Funds	1,595,005	1,361,543	1,473,798
Commission Recapture	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL INVESTMENT INCOME</b>	<b><u>1,949,847</u></b>	<b><u>1,795,238</u></b>	<b><u>1,829,799</u></b>
<b>Plus:</b>			
Realized Gains	1,625,898	1,444,827	441,262
Unrealized Gains	5,391,667	6,592,565	11,401,136
Interest Due and Accrued on Fixed Income Securities - Current Year	<u>0</u>	<u>0</u>	<u>0</u>
<b>Sub Total</b>	<b><u>7,017,564</u></b>	<b><u>8,037,392</u></b>	<b><u>11,842,399</u></b>
<b>Less:</b>			
Paid Accrued Interest on Fixed Income Securities	0	0	0
Realized Loss	(1,768,355)	(361,117)	(511,398)
Unrealized Loss	(3,905,875)	(3,688,203)	(1,337,633)
Interest Due and Accrued on Fixed Income Securities - Prior Year	<u>0</u>	<u>0</u>	<u>0</u>
<b>Sub Total</b>	<b><u>(5,674,230)</u></b>	<b><u>(4,049,319)</u></b>	<b><u>(1,849,030)</u></b>
<b>NET INVESTMENT INCOME</b>	<b><u>3,293,181</u></b>	<b><u>5,783,311</u></b>	<b><u>11,823,167</u></b>
<b>Income Required:</b>			
Annuity Savings Fund	122,603	112,756	183,906
Annuity Reserve Fund	236,563	231,071	190,228
Military Service Fund	22	22	27
Expense Fund	<u>628,080</u>	<u>593,745</u>	<u>525,084</u>
<b>TOTAL INCOME REQUIRED</b>	<b><u>987,268</u></b>	<b><u>937,594</u></b>	<b><u>899,245</u></b>
Net Investment Income	<u>3,293,181</u>	<u>5,783,311</u>	<u>11,823,167</u>
Less: Total Income Required	<u>987,268</u>	<u>937,594</u>	<u>899,245</u>
<b>EXCESS INCOME TO THE PENSION RESERVE FUND</b>	<b><u>\$2,305,912</u></b>	<b><u>\$4,845,717</u></b>	<b><u>\$10,923,922</u></b>



## Methuen Retirement System

### **STATEMENT OF ALLOCATION OF INVESTMENTS OWNED**

(percentages by category)

**FOR THE PERIOD ENDING DECEMBER 31, 2005**

	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED
Cash	\$991,014	1.35%	100
Short Term	0	0.00%	100
Fixed Income	0	0.00%	40 - 80
Equities	26,943,170	36.83%	40
Pooled Short Term Funds	0	0.00%	
Pooled Domestic Equity Funds	8,511,717	11.63%	
Pooled International Equity Funds	10,020,984	13.70%	
Pooled Global Equity Funds	0	0.00%	
Pooled Domestic Fixed Income Funds	20,787,264	28.41%	
Pooled International Fixed Income Funds	0	0.00%	
Pooled Global Fixed Income Funds	0	0.00%	
Pooled Alternative Investment Funds	0	0.00%	
Pooled Real Estate Funds	5,905,508	8.07%	
<b>GRAND TOTALS</b>	<b><u>\$73,159,657</u></b>	<b><u>100.00%</u></b>	

For the year ending December 31, 2005, the rate of return for the investments of the Methuen Retirement System was 4.82%. For the five-year period ending December 31, 2005, the rate of return for the investments of the Methuen Retirement System averaged 3.87%. For the twenty-year period ending December 31, 2005, since PERAC began evaluating the returns of the retirement systems, the rate of return of the investments of the Methuen Retirement System was 9.17%.

## **Methuen Retirement System**

### **SUPPLEMENTARY INVESTMENT REGULATIONS**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2005**

The Methuen Retirement System submitted the following supplementary investment regulations, which were approved by PERAC on :

July 14, 1992

20.06(2) Bonds shall have a minimum quality rating of Baa or equivalent as rated by one or more recognized bond rating services, excluding Columbia Gas 9.62% due 6/15/2005.

20.06(4) Fixed income holdings which are downgraded by one or more recognized rating services to below a Baa or equivalent rating must be sold within a reasonable period of time not to exceed one year, excluding Columbia Gas 9.62% due 6/15/2005 which may be held at the discretion of the board's investment advisor.

December 10, 1992

20.03(1) Equity investments shall not exceed 50% of the total book value of the portfolio at the time of purchase.

January 5, 1995

20.04(6) American Depository Receipts listed on a United States stock exchange or traded over the counter in the United States, provided that all such investments not exceed 5% of the total market value of the portfolio.

April 4, 1996

16.02(3) The board may incur expenses for investment advice or management of the funds of the system by a qualified investment manager and the board may incur expenses for consulting services. Such expenses may be charged against earned income from investments provided that the total of such expenses shall not exceed in any one year:  
(a) 1% of the value of the fund for the first \$5 million, and  
(b) 0.5% of the value of the fund in excess of \$5 million.

16.02(4) The board may employ a custodian bank and may charge such expenses against earned income from investments provided that such expenses shall not exceed in any one-year .08% of the value of the fund.

September 19, 1996

20.03(1) Equity investments shall not exceed 50% of the portfolio valued at market, including international equities which shall not exceed 10% of the portfolio valued at market.

## **Methuen Retirement System**

### **SUPPLEMENTARY INVESTMENT REGULATIONS - (Cont'd.)**

#### **FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2005**

20.08(e) Enrollment in the Securities Lending Program offered by Northern Trust Company for the Brandes International Equity Trust provided that the lending of securities is limited to brokers, dealers, and financial institutions and that the loan is collateralized by cash or United States Government securities according to applicable regulatory requirements.

March 20, 1997

20.03(1) Equity investments shall not exceed 60% of the portfolio valued at market, including international equities which shall not exceed 10% of the portfolio valued at market and including American Depositary Receipts listed on a United States stock exchange or traded over the counter in the United States which shall not exceed 5% of the portfolio valued at market.

# **Methuen Retirement System**

## **NOTES TO FINANCIAL STATEMENTS**

### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2005**

#### **NOTE 1 - THE SYSTEM**

The plan is a contributory defined benefit plan covering all Methuen Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

Instituted in 1937, the System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

The system provides for retirement allowance benefits up to a maximum of 80% of a member's highest three year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions, normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 75 - 85% pension and 15 - 25% annuity.

Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Members joining the retirement system after January 1, 1979 must contribute an additional 2% on regular compensation earned at a rate in excess of \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Executive Director of PERAC according to statute. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustment granted between 1981 and 1997 and any increase in other benefits imposed by state law during that period is borne by the state.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current year pension payments as indicated on the most recent funding schedule as approved by PERAC's Actuary. Until recently, retirement systems were paying only the actual retirement benefits that were due each year.

## **Methuen Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2005**

Systems had no statutory authorization to put aside any money for the future benefits of employees who are now working. Large unfunded liabilities resulted from operating upon this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations.

In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the retirement systems' unfunded liabilities, and in some systems have actually eliminated such liability.

Administrative expenses are funded through investment income of the system.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors including: whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veteran's status, and group classification.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

#### **NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Executive Director of Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Voluntary contributions, re-deposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

## **Methuen Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2005**

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

#### **NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS**

The Methuen Retirement System submitted the following supplementary membership regulations, which were approved by PERAC on:

December 26, 1985

. The criteria for eligibility to become a member of the Methuen Retirement System is that the individual work a minimum of twenty (20) hours a week or receive a minimum salary of \$4000 annually.

. In all cases of application for membership, when no set hours are required, the Retirement Board shall determine, after hearing evidence, the eligibility of the applicant pursuant to Chapter 32, section 4(2)(b).

## **Methuen Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2005**

##### **NOTE 3- SUPPLEMENTARY MEMBERSHIP REGULATIONS - (Cont'd.)**

. In the case of a person employed as a temporary worker, upon the extension of their initial employment period, the retirement board would then review their status as to whether he/she would become a full time employee.

. When calculating creditable service, the exact number of weeks in proportion to the normal full time workweek for the particular position would be used. Example, if a person works 20 hours a week and the full work week is 35 hours, they would be given  $20/35$  or  $4/7$  of a year as creditable service.

. That thirty-five (35) hours be considered the standard workweek for High School Lunch Employees in calculating their pensions.

. That forty (40) weeks be considered a full year of service for cafeteria workers, teacher aides, and school secretaries.

May 9, 1995

. The criteria for eligibility for membership in the Methuen Retirement System is that the individual work a minimum of thirty (30) hours a week for minimum of forty (40) weeks a year. All employees will then be considered full time and earn creditable service in full years.

. Employees whose beginning service was less than 20 hours/40weeks will have this creditable service calculated as actual.

. When calculating part time service prior to March 27, 1995 for the purposes of a buy back, the retirement board will grant creditable service equal to what was actually worked using 40 weeks a year as the minimum for a full year of service. Example, if an employee worked 20 hours a week for 40 weeks a year for 10 years they would be allowed to purchase 5.7 years of service.  $20/35 \times 10 = 5.7143$ )

. When calculating retirement allowances of part time employees currently in the system, full years of service and actual salary will be used.

September 3, 2003

Pursuant to the authority vested in the Commission under G.L. c. 7, § 50, the Board's supplementary rule regarding Authorization for Travel and Travel Related Expenses is approved





# Methuen Retirement System

## NOTES TO FINANCIAL STATEMENTS (Continued)

### FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2005

#### NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by Mellon as of January 1, 2004.

The actuarial liability for active members was	\$59,765,920
The actuarial liability for retired members was	57,833,663
The total actuarial liability was	<b>117,599,583</b>
System assets as of that date were	71,932,860
The unfunded actuarial liability was	<b><u>\$45,666,723</u></b>
 The ratio of system's assets to total actuarial liability was	 61.2%
As of that date the total covered employee payroll was	\$25,933,704

The normal cost for employees on that date was 8.20% of payroll

The normal cost for the employer was 5.30% of payroll

The principal actuarial assumptions used in the valuation are as follows:

**Investment Return:** 8.00% per annum

**Rate of Salary Increase:** 5.00% per annum

#### GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2004

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a % of Cov. Payroll ( (b-a)/c )
1/1/2004	\$ 71,932,860	\$ 117,599,583	\$ 45,666,723	61.2%	\$ 25,933,704	176.1%
1/1/2001	\$ 68,625,708	\$ 92,496,265	\$ 23,870,557	74.2%	\$ 22,480,573	106.2%
1/1/1997	\$ 42,617,519	\$ 66,863,478	\$ 24,245,959	63.7%	\$ 16,295,087	148.8%
1/1/1996	\$ 37,886,763	\$ 58,261,376	\$ 20,374,613	65.0%	\$ 15,520,687	131.3%
1/1/1993	\$ 25,970,674	\$ 45,965,677	\$ 19,995,003	56.5%	\$ 14,905,887	134.1%

## Methuen Retirement System

### NOTES TO FINANCIAL STATEMENTS (Continued)

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2005**

#### NOTE 6 - MEMBERSHIP EXHIBIT

<b>Retirement in Past Years</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Superannuation	9	8	17	11	15	12	34	9	33	5
Ordinary Disability	0	0	1	0	1	0	0	0	0	0
Accidental Disability	4	6	2	4	1	2	2	2	1	1
Total Retirements	<b>13</b>	<b>14</b>	<b>20</b>	<b>15</b>	<b>17</b>	<b>14</b>	<b>36</b>	<b>11</b>	<b>34</b>	<b>6</b>
Total Retirees, Beneficiaries and Survivors	322	335	362	367	379	374	400	395	419	415
Total Active Members	603	656	644	626	671	676	762	672	699	683
<b>Pension Payments</b>										
Superannuation	\$1,819,584	\$1,978,906	\$2,104,848	\$2,234,847	\$2,510,928	\$2,661,230	\$2,994,748	\$3,497,627	\$4,406,171	\$4,642,358
Survivor/Beneficiary Payments	197,752	214,567	214,573	243,303	278,835	275,855	304,665	299,403	294,257	372,019
Ordinary Disability	65,286	61,338	55,935	40,319	66,989	84,944	88,931	105,740	90,548	74,429
Accidental Disability	647,109	719,362	796,761	914,329	1,019,910	1,046,919	1,097,657	1,177,915	1,210,407	1,256,848
Other	<u>284,067</u>	<u>332,234</u>	<u>349,370</u>	<u>350,140</u>	<u>357,159</u>	<u>352,630</u>	<u>342,008</u>	<u>339,203</u>	<u>348,898</u>	<u>363,581</u>
Total Payments for Year	<b><u>\$3,013,798</u></b>	<b><u>\$3,306,407</u></b>	<b><u>\$3,521,487</u></b>	<b><u>\$3,782,938</u></b>	<b><u>\$4,233,821</u></b>	<b><u>\$4,421,578</u></b>	<b><u>\$4,828,009</u></b>	<b><u>\$5,419,888</u></b>	<b><u>\$6,350,281</u></b>	<b><u>\$6,709,235</u></b>

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